

Innovatively Expanding the Small Business Health Insurance Program

S.B. 140

Sponsored by Senator Dan Weinberg at the Request of State

Auditor John Morrison

Allowing the small business health insurance program to implement additional benefits, providing an alternative funding source for qualified association health plans, and expanding the group size for small employers.

Small Business Health Insurance Program, Insure Montana—

Background:

Coverage is now a reality for thousands of previously uninsured Montanans. A Governing board appointed by Governor Schweitzer and State Auditor John Morrison has selected a carrier for the purchasing pool, designed two benefit plans, and created a monthly premium payment system for employers and employees with coverage made available January 1, 2006. Within one year of implementation, this program has made it possible for more than 5,000 uninsured Montanans to start receiving health coverage through the purchasing pool.

Refundable tax credits are currently offered to small businesses in danger of dropping their current health insurance plans as a result of rising premiums. 40% of the Revenue is directed to this purpose. Over 700 businesses are benefiting from this refundable tax credit, covering over 3500 lives.

Provisions of S.B. 140:

Implementing a Wellness Benefit

A worksite wellness program can be a beneficial way to help create a healthier small business community and keep insurance premiums down and at an affordable rate. An effective wellness program can also reduce workmen's comp claims, increase employee retention and reduce absenteeism. Offering a wellness benefit for pool members can help keep insurance premium costs down and would also help slow down premium increases for pool members. Providing a program that encourages good overall health is an important step to a healthier community.

Offering Cafeteria Plan Assistance (As Amended in Committee)

Allowing Insure Montana to offer cafeteria plan assistance in the form of a Section 125 plan is an important tax savings device for employers and employees. The implementation of a cafeteria plan will allow payroll deductions for employee's health insurance to be taken from pre-tax dollars, instead of post-tax. The allowance of a cafeteria plan will assist employers in correctly deducting health premiums for their employees.

Strengthen Insure Montana Purchasing Pool

Insure Montana currently has over 700 previously uninsured employers participating in the newly created Purchasing Pool. A total of 5,000 employers, employees and family members are covered through the purchasing pool and are receiving premium assistance and incentive payments from the State. Only one group has accepted coverage through one of

our qualified association plans. The Insure Montana purchasing pool is separate from an association plan and would like to pursue rating structures and other innovative cost saving mechanisms that separate our program from what an individual can currently purchase in the marketplace.

Employers who already participate in an association plan and receive a tax credit from Insure Montana would be unaffected by this change.

Alternative Funding Source for Qualified Association Plans (As Amended in Committee)

Insure Montana's budget is currently \$10 million dollars per year with funds distributed as a 60/40 split between the purchasing pool and tax credits. 60% of the revenue goes towards previously uninsured businesses through premium assistance and incentive payments and 40% towards previously insured businesses through the tax credit program. Governor Schweitzer's budget proposes an additional \$1 million dollars for Insure Montana. This allocation of funds would allow 60% of the Governor's \$1 million dollar proposed budget to go towards premium assistance and incentive payments through the Insure Montana purchasing pool and 40% of up to \$1 million dollars dedicated to providing a tax credit to previously uninsured businesses that choose coverage through a qualified association health plan.

Expand Group Size for Small Employers That Are Eligible for Premium Assistance and Incentive Payments

Insure Montana accepts businesses that have at least 2 employees but no more than 9 eligible employees. Eligible employees include anyone who works 30 hours a week or more. Insure Montana would like to have the ability to expand coverage to employers who employ at least 1, including sole proprietors, but no more than 15 eligible employees. The State Auditor's Office and the Insure Montana Governing Board has received multiple requests to expand coverage outside the 2-9 eligibility size to make pool coverage available, even without the state subsidy payments.

Redefine Income Restrictions for Employers to Receive Premium Assistance or Incentive Payments or a Tax Credit (As Amended in Committee)

Eligibility requirements for Insure Montana allow no employee to earn over \$75,000 per year, excluding the owner. This proposal will tighten the income restrictions for employers and/or owners to participate in Insure Montana. No employer may receive a tax credit, premium incentive, or premium assistance payment if the individual's gross income exceeds \$75,000 in the prior tax year. Currently enrolled small business employers would remain either in the tax credit program or purchasing pool program; however, owners making over \$75,000 would no longer be eligible for premium assistance or incentive payments or a tax credit for their own personal health insurance coverage, or their dependents health insurance coverage. This would include sole proprietors in the \$75,000 income cap.

For additional information regarding Insure Montana, or questions regarding this legislation, please contact Lisa Crowley at 444-2406 or lcrowley@mt.gov.

*Prepared by the State Auditor's Office -- 4/02/07
Lisa Crowley: (406) 444-2406*

**Senate Bill 140; Sponsor Sen. Dan Weinberg
Written Testimony in Support of Insure Montana**

Compiled by the State Auditor's Office

April 2, 2007

Contact: Lisa Crowley

406-444-2406

Written Testimony #1

We have only been on the Insure Montana program a short time but already I have seen positive things come from our enrollment. The employees that are currently enrolled seem to be more positive, in general, in their outlook, without the worry and anxiety of not being covered by insurance. This is a huge plus for any employer; Happier and more secure employees. We look forward to enrolling more employees into the program.

I feel that a wellness benefit is a great idea. Any preventative measures are of value in the long run. As far as allowing up to 15 employees, I feel this would also be beneficial to the program. This would give even more folks an opportunity to have health insurance if they desire to purchase it. When we signed up with Insure Montana, we had wonderful support and assistance from people working with this program.

We are very excited and happy with the Insure Montana program.

Best Regards,
Larry Houck
Missouri River Marine
Great Falls, MT

Written Testimony #2

This has been the first year that we have had health insurance through Shafer's Auto Inc. We have been in business 32 years and have not been able to provide health coverage for our employees in the past. We lost a valuable employee due to the fact we were unable to provide health insurance. Now we can retain our employees because of the health benefit we can offer them.

Our employees can now receive the proper health care which improves our productivity, so everyone benefits from this program. The families of our employees also benefit from this program by the ability to afford the health care they need.

This day and age one can't be without coverage. Thanks again for providing this much need program for small businesses.

Respectfully Yours,
Marci Shafer
Vice President Shafer's Auto Inc
Billings, MT

Written Testimony #3

This short letter is to let you be aware of the greatly needed and positive impact the Insure Montana Program has made in my small business.

I was born and raised in Montana; educated in Montana and due to that education, I now own a small business in Montana. Before the Insure Montana Program, I was unable to provide health insurance to my hard working employees (most with families); and they were unable to afford private health insurance due to the overwhelming cost of premiums.

Since I have implemented the Insure Montana Program, me and my employees and their families no longer have to try and 'avoid' proper healthcare visits; we all now can afford the premiums as well as the patient-out-of-pocket expense.

I have seen a positive change in the work atmosphere and attitudes of my employees. Especially those that are fathers; they are holding their heads up higher knowing that they are providing a better life for their families.

This in turn has made them better employees, stronger and more dedicated than before. And I as an employer am also holding my head up high knowing that I am doing all I can to ensure that I am providing a work place that is appealing to hard working, trustworthy employees that are with me for the good of my business and not for just a paycheck; as any employer knows, these qualities are hard to find.

My home town is growing and therefore, so is my business. It is my hope that the Insure Montana Program will find a way to expand the employee limit to 15. This would free the worries of employers whose small businesses are growing, striving to make their position a success to strengthen the economic well-being of their community.

Thank you for your time,
Jeanne Brooks
Vice President of JJ Brooks Inc.
dba Millwork West Building Supply Center
Libby, MT

Written Testimony #4

The Insure Montana Program is great. Right after the guys had signed up, one had to go to the dentist and I was surprised as to how much they contributed to the bill. All of our employees are real happy with the insurance program.

I hope to see this program grow and help as many small business owners that it can. Thank You!

Nila
Butte Insulation
Butte, MT

Written Testimony #5

We signed on with Insure Montana just last fall. We would never have been able to offer our employees health insurance without the program. And having Insure Montana subsidize our employees' share is a great benefit too, since most of them are the sole breadwinners in their households.

We feel that being able to offer insurance has kept our employees from seeking employment elsewhere, even at a lower wage, just to obtain insurance. We also are hiring another employee this next week, and she would not have taken the job if it didn't offer insurance (she had insurance with her last job).

Finally, we currently have seven employees, not including my husband. That puts us one away from the maximum allowable number of people to remain in the plan. It would really be a shame to grow our business just a little bit more and lose the ability to offer health insurance to our employees at the same time.

Thank you,
Lori Brown
Brown Enterprises
Great Falls, MT

Written Testimony #6

This is just a quick note, in regard to the Insure Montana program. My husband works for a small Napa store and we have never had the opportunity to have health insurance, I am a self-employed hair dresser. We have been on the Insure Montana program since August and it is making a huge difference in our life. I am an asthmatic that is now able to get the medicine I need to breath and our child can have access to medical care. Thank you so much for allowing us to be on the Insure Montana program.

Gina Dale
Insure Montana participant
Conrad, Montana

Testimony #7

I can not thank you enough for the work you and Insure Montana are doing. Being without health insurance has been stressful. The potential plans quoted to our small business were not only expensive but came with huge deductibles and no prescription drug coverage. Even if we could have afforded the premiums, we could not have afforded to get sick. I am very grateful to be part of this innovative plan and proud to be a Montanan.

Sincerely,
Diana Montalion Dupuis
Mooncougar Media LLC
Missoula, MT

Written Testimony #8

I would just like to start by saying how thankful I am that Insure Montana exists. In the year 2000 BC/BS raised the small business insurance to almost triple what it had been the year before and my husband had to make a tough decision to cancel all health insurance plans for not only us but the nine other employees that we had at that time. It was devastating to him and to our employees alike. All of us prayed that we would not get sick or be struck with an injury for fear the health care cost would devastate us. We would occasionally check on health insurance for our family on a personal level and for a family of five the rate was in the \$600.00 dollar range which meant that in order to have health insurance one of us had to give up a paycheck a month in order to be covered; which is not feasible when you are trying to raise a family.

In Jan. of 2006, my husband got very ill and had to have emergency surgery, and an extended hospital stay. Our bill for that was well over \$15,000.00. Not mention the other sports injuries and ailments that my children brought home from school that also needed medical attention. By the end of 2006 our total medical before Insure Montana came to \$24,000.00 which I will be paying on for several years to come. Since Insure MT, my families trips to the doctor have not slowed down and my total medical costs in the last 3 months are under \$100.00. The coverage is so wonderful and affordable to not only my family but to each of the other families that we have been able to again offer health care to.

As business owners, my husband and I are so happy to be able to provide insurance to our employees again and also have the benefits for our own family as well. We only hope that more families that struggle with same cost of medical like we did get the help and support from Insure Montana. It is a godsend that there is a program like this that helps hard working Montanan's get the health coverage that they deserve.

Thank You Insure Montana!!!
Joe & Carrie Crumley
Keneco Petroleum Equipment
Great Falls, MT

Written Testimony #9

Insure Montana has been like a life preserver thrown to a man overboard. For the first time we can afford to offer health insurance to our employees--great for them and great for us. I had lost one valuable employee because I couldn't offer health insurance. Now I can.

I hate to think where we would be without Insure Montana. I hate to think where we would be if the program were stopped. It makes a tremendous difference to the well-being of our employees and my company's ability to be competitive in hiring employees.

Sincerely,

Chris Cauble
Riverbend Publishing
PO Box 5833
Helena, MT 59604

Written Testimony #10

The Insure Montana program has been a huge plus for my business. There is no way I could ever have offered health insurance to my employees without it (or gotten insurance myself). When I worked for other companies and they offered health insurance - I was never able to afford it - nor could most people I talked to that were eligible.

An added bonus is that many people who have had health insurance most of their lives would not realize is that you get more respect at doctors offices if you have health insurance - they actually treat you like a normal person! If you don't have health insurance they want the whole bill paid in full immediately and can be very nasty about it if you can't. Also if you don't have insurance you can end up paying "full retail" - much more than the insurance company would pay if you had insurance.

I am impressed with Insure Montana and Blue Cross Blue Shield - they have really done well with providing a service that would otherwise be unavailable to myself, my employees and many other small business owners and employees.

This program has actually done what they promised and is a credit to those who came up with it - Montana should be proud to have come up with a partial solution to a national crisis.

Sincerely,
Tana Ackerman
Shiners!
Billings, MT

Written Testimony #11

I am writing this letter in support of the Insure Montana Program. My husband and I have a small home building business in Kalispell, and we were fortunate to be able to participate in the Insure Montana Program this past year. This program has not only allowed us to provide our family with much better insurance coverage than we could previously afford, but it has also allowed us to offer insurance coverage to our employees and their families.

Being able to offer insurance benefits to our employees has been a big advantage for us. Finding good employees in today's market is difficult and the construction industry is very competitive. The health benefits that we are able to provide through Insure Montana have not only helped us draw employees, but have helped with employee retention and employee morale as well. The majority of our employees are not able to provide insurance coverage for themselves or their families without this program and really look at this as a great benefit.

Providing health benefits for our employees and their families was a goal we had hoped to achieve some day, but without Insure Montana we would not be able to provide these benefits today. We are very grateful for the Insure Montana Program and the assistance we receive which allows us to provide these benefits.

Sincerely,
Amy Glimm
Glimm Homes Corporation
Kalispell, MT

Written Testimony #12

I have spoken numerous times at Chamber of Commerce monthly city meetings explaining a little about the Insure Montana program and how it could possibly benefit small businesses that currently do provide group health insurance, and for small businesses who currently do not provide group health insurance for their employees.

Having been born and raised in Conrad and an insurance agent in Conrad for over 28 years, I feel I have developed a strong sense and understanding of the importance of health insurance. Over these years I have seen numerous employers, families and individuals cancel their health insurance plans as it became unaffordable to them and their employees. I have had employers come to my office in tears when they requested their group health policy be cancelled as they and their employees could no longer afford the premiums. It was very hard for the employers to make this kind of decision knowing that their employees and families would no longer have group health insurance.

The Insure Montana program has proven to be an answer to affordable group health insurance for small groups who otherwise could not afford health insurance. Of the more than forty small groups who have elected to purchase the Insure Montana group coverage through our office, at least 70% of them I had previously contacted to purchase Group health coverage. That 70% plus elected not to provide group health coverage due to the high cost. In addition, over the years I have seen employers shift more of the cost of health insurance to their employees who eventually could no longer afford to pay as well.

Insure Montana addresses this issue by providing greater assistance to those employees with lower incomes and to employers in the form of an incentive. The program works beautifully plus now we are insuring employees and their families who would otherwise not have health coverage. I am certain that well over 50% of the employees who are now on the Insure Montana plan previously had no coverage for themselves or their families.

The State of Montana should be extremely proud of this program as it has benefited so many employees and their families. I have had numerous employers tell me that since they now have an excellent and affordable group health plan in place that the employee turnover rate is much lower and they have seen a definite improvement in employee attitudes and morale at work.

Hospitals, Doctors, and Dentists must especially like this program as many of their clients now have health insurance which previously did not. This would help eliminate an accounts receivable problem. In addition, those who now have coverage will probably not wait until a medical condition gets so bad that they have no choice but to go to a professional provider for treatment. Often times they wait too long resulting in long term medical problems and many more days out of the work place.

The tax credit program has been extremely beneficial as well as many small groups were really struggling with the high cost of group health insurance and many employers did not know how much longer they could afford to provide health insurance to their employees. At least for now these groups have a second wind and are much more encouraged and appreciative of the Insure Montana program and continue to provide group health insurance for their employees.

I would grade the Insure Montana program an A+ a true success story, and hope and pray our Legislatures understand, and have seen first hand the positive impact it has provided Montana employees and employers. I would strongly encourage our representatives to continue the funding and ask that they enhance the program by providing more funding to make this program an even more successful program for all of Montanans.

Respectfully,
Howard L. Bouma
Northern Montana Insurance Services
PO Box 726
Conrad, MT 59425

Written Testimony #13

When we established our business in November of 2004 one of the key areas for retaining employees was the ability to provide affordable health care.

One of our key employees expressed, during the interview process, the need for employer assisted health care. At that time we could only say we were looking into it and would come up with a plan that would be made available down the road. We had no idea that the Insure Montana program was being developed for small businesses like ourselves. Timing was everything for us. We sat in on the open forum meeting with John Morrison and learned firsthand about the program. We were quick to apply and now we've been on the Insure Montana program for over a year. We are very satisfied with the coverage through BlueCross BlueShield and the affordable premiums made available through the Insure Montana program.

In the recruiting and retention end of things we needed Insure Montana to compete with the larger corporations that provide similar services as we do in our community. They have thousands of employees throughout the U.S., we have five employees.

With Insure Montana we can now compete for these employees.

Jason Quale
NAPA Auto & Truck Supply
Glendive, MT

Written Testimony #14

The Insure Montana program has a tremendous benefit for my business and for my family. As small business owners, we, like our employees were uninsured. It simply is unaffordable on an individual basis. I employ a single mother. It has been a huge benefit to her and a great retention tool for my business

Carrie Aageson
Insure Montana participant
Havre, MT

Written Testimony #15

Thank you for letting me say a few quick things about the Insure Montana program. My Blue Cross/Blue Shield representative told me about this program last year.

Previously I was unable to afford group coverage for my business. I now have coverage that rivals anything I had while working for County government in a neighboring State. The cost for me to cover both myself and my secretary is roughly the same for twice the coverage and benefits.

I believe this program represents one of the smartest moves the State of Montana has made in recent years. It is becoming painfully obvious that the Federal Government is unwilling and/or unable to engage in any serious health care reform. It is up to each State to fend for themselves. We should expand the pool of participants, get even more leverage and expand this program. This program is an example of something real for real working people. With this benefit, I can afford to pay higher wages and have a better package to offer any additional staff I may want to hire. This is extremely important as I am in a very competitive labor market in Eastern Montana, where I am competing with huge oil companies and with County and State government for good employees. This program helps me to get wages up to market value and offer competitive health benefits. The fact the program is connected with BlueCross/Blue Shield is an added bonus.

I hope the legislature looks at this program from a standpoint of logic and economic development and not as another ideological battleground. Please do not cut, dismantle, monkey with, or otherwise mess with this program unless you mean to expand the program and the concept behind it. You have something here that works. Thank you very much for your time and attention.

Sincerely,
Lee E. Armstrong, Cresap & Armstrong, P.C.
Sidney, MT

Written Testimony #16

I think the Insure Montana program is one of the best programs that the state has come out with in the last few years. As an Ag based employer, it has helped with the ability to provide group insure to our employees and also to their families. Without the Insure Montana program, we would be unable to afford to provide health insurance and consequently would be at a severe disadvantage in terms of hiring or retaining a quality workforce.

I encourage the State to continue this program or if possible, expand and enhance it more.

Jack Holden
Holden Herefords
Valier, Montana

Written Testimony #17

Here are some thoughts on Insure Montana and how it has affected Solaris Feeders and our employees.

We are a small feedlot and ranching operation in Miles City. The company is celebrating its 10th year of business this year. During this time we have never been able to provide any insurance to our staff. With the increasingly tight job market we came to the conclusion in 2006 that we needed an insurance plan to be competitive and retain our employees. I looked into 4 or 5 options with various companies and affiliations and discovered the Insure Montana program. It was at the same time that the state decided to expand from 2-5 to 2-9 employees. We have 8 full time employees so I applied.

I worked closely with our local Blue Cross Blue Shield agent Tracy Schell (I can't begin to tell you how great she was to work with) comparing Insure Montana, Chamber and Independent plans. Hands down Insure Montana's plan provided much better coverage (including prescription and dental) at as good a rate or better than the other plans. And this was before the incentives came into play. I sent in our application and we were accepted and enrolled in the program with a start date of November 1, 2006.

We had a very limited budget within the company and with the Insure Montana program we were able to provide a much better health plan with prescription coverage and dental and we still had a little money in the budget to implement basic vision coverage and a small life insurance policy for each of our employees. Tracy also helped us set up a basic cafeteria plan allowing us to pretax the employee share of the premium. Our plan is set up with a 50/50 split for the payments between company and employee. For those employees that were carrying their own policy I discovered that our plan was much better and more affordable than what they were carrying before. We also had employees who had no coverage, small children and tight budgets. We worked with those employees to help them get started with their share of the premium by providing a simple payback plan. Once the incentives came through the premium share for the family was something they could afford going forward.

I am also a CPA and I do various projects that are separate from Solaris Feeders. I am a big proponent of expanding the program to businesses with 1 - 15 employees. For Solaris Feeders for example, we are very close to the current cut off. Having the increased company size would allow us the flexibility to add 2-3 people as needed without the risk of losing what we have already. And for those small business owners who are running their own business I believe there are many owners who are probably not covered by any policy and would benefit from having coverage.

A program like this takes funds and the more the program grows the more funding would be required or the lower the assistance the state could provide. One way to keep costs and insurance rates lower would be to implement a wellness program as you mentioned. I believe our employees would utilize a wellness incentive and we have one employee that had something like that in her previous policy which she stated that she missed. A wellness benefit would allow the program participants with the ability to do some basic "check up" work annually which may then identify issues earlier and hopefully minimize or eliminate larger problems and expenses in the future. I think this is a great way to control rising policy rates for the group and promote better health.

I hope this will help with SB 140 and the future of Insure Montana. Please feel free to contact me if you have any further questions.

Regards,

Lisa
Solaris Feeders
Insure Montana participant
Miles City, MT

Written Testimony #18

My business partner and I are thrilled to be participating in the Insure Montana program. We started our sewing business 2 1/2 years ago in the Bozeman area and became enrolled in the program last July, 2006.

From a personal standpoint: Independently, my business partner and I each re-located to Bozeman from out of state. We were shocked and dismayed at the high cost of health insurance in Montana! Each of us ended up paying what seemed like a very high premium for a "catastrophic" policy with a high deductible. The high cost of living here coupled with the low standard of wages made a comprehensive policy completely unaffordable. Not long after starting our business, the Insure Montana program was instituted and we were accepted into the program. We each now have far better coverage than we could have afforded for our families and a great sense of relief and confidence.

As business owners: Being able to offer assistance for health care premiums to our employees, both present and future, is of utmost importance to us. This has always been an integral part of our business plan and a responsibility we take very seriously. Enrollment in Insure Montana has made that a reality sooner than we ever anticipated. We are growing rapidly and knowing that there is help out there with the cost of providing benefits gives us that much more confidence that we can recruit and retain high quality employees.

Being in this program reflects the feeling that we really care about our employees, and that the state of Montana cares about us and what we contribute to our economy. It is an essential stepping stone for small businesses working toward financial stability and independence.

Insure Montana is a fantastic program for small businesses and a great step in providing much needed services for our state's citizens.

Sincerely,
Karen Yonovitz
Louisa Hough
Co-owners: Bitterroot Interior Workshop, LLC
Bozeman, MT